

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 L-01 H-01 DODE-00 PA-01 USIA-06 PRS-01 NSCE-00

PM-03 TAR-01 /074 W

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R 070716Z NOV 74

FM USLO PEKING

TO SECSTATE WASHDC 2673

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD CH US

SUBJECT: PRC EXPORT PRICING -- COMPLAINT ABOUT DISCRIMINATION

1. AT THE CANTON FAIR ON OCTOBER 24 USLO OFFICER HOROWITZ (NOW RETURNED TO PEKING) CALLED ON MA K'E-CHIN (7456/0344/6210), DEPUTY SECRETARY GENERAL OF THE DELEGATION FROM THE CHINA NATIVE PRODUCE AND ANIMAL BY-PRODUCTS IMPORT AND EXPORT CORPORATION, IN ORDER TO DISCUSS A COMPLAINT BY AN AMERICAN BUSINESSMAN ABOUT DISCRIMINATORY CHINESE PRICES. THE COMPLAINANT WAS MR. HARALD PELS OF THE NEW YORK OFFICE OF HOFOR TOBACCO CO., WHO WAS ENRAGED TO LEARN THAT THE DIFFERENCE IN THE C&F PRICE FOR CHINESE TOBACCO BETWEEN NORFOLK AND ROTTERDAM BORE NO REASONABLE RELATIONSHIP TO THE DIFFERENCE IN FREIGHT COSTS. AFTER INTENSIVE DISCUSSIONS WITH HIS COUNTERPART NEGOTIATORS, PELS CONCLUDED THAT THE CHINESE HAD AN UNREASONABLY HIGH "AMERICAN" PRICE. PELS CONSULTED WITH HIS FIRM IN NEW YORK, AND THEN TOLD THE CHINESE HE WOULD TAKE DELIVERY IN NORFOLK OF THE

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170 TONS OF TOBACCO HE BOUGHT ONLY IF THEY WOULD REDUCE

THE PRICE; OTHERWISE HE WOULD TAKE DELIVERY IN ROTTERDAM.

2. IN HIS MEETING WITH MA, HOROWITZ POINTED OUT THAT PELS' COMPLAINT WAS THE SECOND HE HAD RECEIVED AT THIS FAIR FROM AN AMERICAN ABOUT NATIVE PRODUCE CORPORATION PRICES. THE FIRST WAS FROM A US FIREWORKS IMPORTER WHO FOUND THAT HONG KONG BUYERS OF CHINESE FIREWORKS COULD BUY AT SUBSTANTIALLY LOWER PRICES AND THEN SHIP TO THE US AND UNDERSELL HIS IMPORTS FROM CHINA. HOROWITZ STRESSED TO MA THAT IT WOULD BE UNFORTUNATE, AT A TIME WHEN EFFORTS ARE BEING MADE TO INCREASE CHINA'S EXPORTS TO THE US, IF AMERICAN BUYERS LEFT THE FAIR IN THE BELIEF THAT THE CHINESE DISCRIMINATE AGAINST THE US IN ITS PRICING POLICIES.

3. MA REVIEWED A VARIETY OF POSSIBLE EXPLANATIONS FOR THE PRICE DIFFERENCES (E.G. SHIPMENTS ORIGINATING FROM DIFFERENT PARTS OF CHINA, THE DIFFICULTY OF ESTIMATING INDIRECT SHIPPING COSTS TO THE US, THE POSSIBILITY THAT THE HONG KONG FIREWORKS MERCHANT HAD UNLOADED EXCESSIVE INVENTORY AT BELOW COST, ETC.) BUT SAID HE DID NOT KNOW THE SPECIFIC DETAILS AND WOULD LOOK INTO THE MATTER. TO DATE HE HAS NOT REPLIED TO USLO OFFICERS AT THE FAIR.

4. COMMENT: MOST EXPERIENCED BUYERS AT THE CANTON FAIRS BELIEVE THAT THE CHINESE HAVE C&F PRICES FOR DIFFERENT AREAS WHICH ARE UNRELATED TO DIFFERENCES IN FREIGHT COSTS. THIRD WORLD COUNTRIES, FOR EXAMPLE, GENERALLY RECEIVE THE MOST FAVORABLE CONSIDERATION. SUBSEQUENT TO HIS MEETING WITH MA, HOROWITZ HEARD THAT ANOTHER AMERICAN FIRM AT THE FAIR HAD DECIDED TO TAKE DELIVERY OF BASKETS IN HONG KONG AND THEN TO PAY ITS OWN SHIPPING COSTS TO THE US RATHER THAN BUY C&F WEST COAST. WHILE SOME EXPERIENCED TRADERS AT CANTON JUSTIFY THE CHINESE PRACTICE AS ONE MEANS OF ACHIEVING MARKET DIVERSIFICATION AND REWARDING OLD FRIENDS, OTHERS -- PARTICULARLY NEWCOMERS -- ARE LESS WILLING TO TOLERATE THE SITUATION.
BUSH

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